

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 GSA-01 AID-05 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 INT-05 DODE-00

PM-04 H-02 L-03 NSC-05 PA-01 PRS-01 SS-15 /086 W

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E.O. 11652: N/A

TAGS: EMIN, BL

SUBJ: MEDIUM MINERS ASK GOB FOR TEMPORARY RELIEF FROM TIN

EXPORT TAXES

REF: LA PAZ A-36 OF MARCH 8, 1974

1. MEDIUM MINERS ASSOCIATION (MMA) HAS PETITIONED MINISTRIES MINING, COORDINATION, FINANCE AND LABOR FOR EMERGENCY MEASURES TO TEMPORARILY HELP MINING INDUSTRY THROUGH CRITICAL PERIOD OF LOW MINERAL PRICES AND HIGH COSTS AND TAXES ON MINERAL EXPORTS. MMA PREVIOUSLY ASKED FOR PERMANENT REMOVAL OF SPECIAL TAX ON MINERAL EXPORTS BUT GOVERNMENT TURNED DOWN APPEAL. EMERGENCY MEASURES, MMA STATED, IN NO WAY AFFECTS MMA'S POSITION THAT GOB SHOULD COMPLETELY REFORM ITS TAX SYSTEM ON MINERAL INDUSTRY.

2. MMA ASKED FOR SIX MONTH PAYMENT POSTPONEMENT OF (1) SPECIAL TAXES ON MINERAL EXPORTS; (2) TAX DESTINED TO INSTITUTE OF MINING AND METALLURICAL INVESTIGATIONS; (3) NATIONAL SOCIAL SECURITY LONG TERM INSURANCE; AND (4) CONTRIBUTIONS TO NATIONAL MINING COUNCIL HOME BUILDING FUND.

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3. MMA ASKED MINISTRY LABOR FOR FLEXIBILITY IN REGULATING

LABOR FORCE.

4. ALSO ASKED GOB FOR ONE-YEAR POSTPONEMENT TO AUGUST, 1976
BEFORE MMA HAS TO JOIN RECENTLY CREATED MINING COMPLEMENTARY
FUND WHICH OBLIGES COMPANIES TO CONTRIBUTE ADDITIONAL
6.37 PERCENT OF TOTAL LABOR COSTS TO FUND AND LABORERS 5
PERCENT OF THEIR SALARIES MAINLY FOR RETIREMENT PURPOSES.

5. ACCORDING TO COMMENTS BY MEDIUM MINERS ASSOCIATION
OFFICIAL, GOB PROBABLY WILL GRANT TEMPORARY REDUCTION OF 15
PERCENT ON TIN MINERAL EXPORTS (TAX NOW ABOUT US\$ 0.61LB.
TIN AT PRICE OF US\$ 3.10 PER POUND OF TIN). MMA WANTS
TEMPORARY 50 PERCENT REDUCTION AT US\$ 3.10 PRICE IN ORDER TO
PAY ONLY ABOUT US\$ 0.30 PER POUND OF TIN EXPORTED.

6. COMMENT: GOB LIKELY WAITING FOR CONCLUSION OF HARVARD
UNIVERSITY STUDY ON MINING TAXATION BEFORE IT CHANGES
MINERAL EXPORT TAXES. HARVARD SCHEDULED TO FINISH STUDY LATE
THIS YEAR.

A. WE UNDERSTAND THAT SEVERAL MEDIUM MINERS ON THE ROPES
FINANCIALLY DUE TO LOWER TIN PRICES AND BUILD-UP OF INVENTORIES
DUE TO INTERNATIONAL TIN COUNCIL EXPORT QUOTA. LABOR LAWS
MAKE IT DIFFICULT FOR MINERS TO CUT WORK FORCE OR OTHERWISE
LOWER COSTS. CONSEQUENTLY, MINING SECTOR EXTREMELY FEARFUL OF
INCREASED GSA TIN SALES AT PRESENT LOW TIN PRICES.
REPORTEDLY NEW YORK DEALERS STOPPED BUYING TIN METAL A FEW
MONTHS AGO AND DELIVERIES TO U.S. EXPECTED TO TAPER OFF IN
FOLLOWING TWO MONTHS. THIS IS REASON WHY BOLIVIA WORRIED GSA
MAY RESUME SUBSTANTIAL SALES AT LOW TIN PRICE.

B. WHETHER OR NOT TO LOWER MINERALS EXPORT TAXES WILL
BE HARD DECISION FOR BOB. UNDERSECRETARY MINFIN BOADA
ADVISED ECONOFF THAT CENTRAL GOVERNMENT WILL GET THROUGH
AUGUST WITHOUT RESORTING TO DEFICIT FINANCING, DESPITE
REDUCED MINERALS TAX REVENUES, BUT DEFICITS LIKELY FOR
SEPTEMBER-DECEMBER PERIOD AND REDUCTION IN MINERALS EXPORT
TAX RATE WILL INCREASE DEFICIT. SINCE GOB MAKING STRONG EFFORT
TO AVOID INFLATIONARY DEFICIT FINANCING, IT FACING A
DILEMNA OVER PLEAS FOR RELIEF OF MEDIUM MINERS. FURTHER
DECLINE IN TIN MARKET PRICES WILL WORSEN SITUATION.

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7. ACTION REQUESTED: THAT DEPARTMENT URGE GSA NOT TAKE ACTION
ON STOCKPILE SALES WHICH WILL FURTHER DEPRESS PRICE, AND IN
ANY EVENT KEEP EMBASSY ADVISED OF GSA STOCKPILE ACTIVITIES.
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Margaret P. Grafeld
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